

FINANCE & ADMINISTRATION COMMITTEE MEETING

Tuesday, January 17, 2017

6:00 p.m.

Hampden Town Office

1. Meeting Minutes – None
2. Review & Sign Warrants
3. Old Business
 - a. Review and endorsement of 2017 bond documents regarding borrowing of \$258,810 for overdue sewer treatment and pump station maintenance costs
4. New Business
 - a. Notification of an un-anticipated invoice for the annual video streaming service in the amount of \$2,370 and review of recommended budget adjustment out of overlay for the purpose of funding Leightronix costs – *requested by Kyle Severance, GIS/IT Specialist*
 - b. Request for authorization for the expenditure of \$1,462.50 out of Library Reserve funds for the purpose of squirrel trapping and exclusion – *referral from Services Committee*
 - c. Request for Council ratification for the September 30, 2015 expenditure of \$3,345.46 from the Police Cruiser Reserve account – *to retro-actively approve payment from reserve account*
 - d. Request for authorization to for the expenditure of \$7,388 out of IT Reserve for the purpose of upgrading the surveillance system for the Municipal Building – *requested by Kyle Severance, GIS/IT Specialist*
 - e. Discussion on the State of Maine FY18-19 Biennial General Fund Budget and its possible effect on the Town – *request of Councilor Marble*

- f. Discussion of anticipated FY18 budget process including setting date(s) for Annual Council/Manager Goals Session(s)

5. Public Comment

6. Committee Member Comments

7. Adjournment

Daniel S. Pittman
dpittman@eatonpeabody.com

Eaton Peabody

Attorneys at Law

Finance 3-a

80 Exchange Street, P.O. Box 1210
Bangor, Maine 04402-1210
Phone 207-947-0111 Fax 207-942-3040
www.eatonpeabody.com

January 12, 2017

HAND DELIVERED

Angus G. Jennings, Town Manager
Town of Hampden
106 Western Ave.
Hampden, ME 04444

Town of Hampden
RECEIVED

JAN 12 2017

Office of the
Town Manager

Re: 2017 General Obligation Bond
Principal Amount: \$258,810

Dear Mr. Jennings:

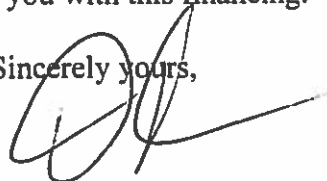
Enclosed are the documents to be executed by the appropriate officers of the Town with regard to the above-captioned general obligation bond.

1. Certificate of Clerk, to be signed and attested by the Town Clerk, with the seal affixed;
2. Certificate of Indebtedness, to be completed and signed by the Treasurer, with the seal affixed and attested;
3. 2017 \$258,810 General Obligation Bond, to be signed by the Town Council and the Treasurer, with the seal affixed and attested;

Please have these documents executed by the appropriate officials and return them to the Eaton Peabody Bangor office January 17th. The original of the bond and our opinion as bond counsel will be delivered to the First National Bank in time for the closing scheduled for January 23, 2017.

Thank you for asking Eaton Peabody to assist you with this financing.

Sincerely yours,



Dan S. Pittman

DSP/kd
Enc.

TOWN OF HAMPDEN, MAINE
2017 GENERAL OBLIGATION BOND
PRINCIPAL AMOUNT \$258,810

CERTIFICATE OF CLERK REGARDING ORGANIZATION, AUTHORIZATION,
INCUMBENCY, SIGNATURES, LITIGATION AND OTHER MATTERS

JANUARY 23, 2017

Paula A. Scott, duly appointed and qualified Clerk of the Town of Hampden, Maine (the "Town"), certifies as follows with respect to the issuance and sale of the above-referenced General Obligation Bond (the "Bond") to the First National Bank.

1. The Town of Hampden was incorporated by Chapter XXI in 1794 by an act of the Massachusetts legislature. The Town adopted a Charter on January 17, 1972. A copy of this charter, as amended, is attached as Exhibit A.

2. A copy of the vote adopted at the Town Council meeting held on September 8, 2016, at which the borrowing of not more than \$300,000 for the payment of overdue sewer treatment and maintenance payments (the "Project") was approved is attached as Exhibit B.

3. Notice of a public hearing with respect to the said bond authorization was published in the Bangor Daily News, a newspaper of general circulation in the Hampden area, not less than seven (7) days prior to the date of the hearing described therein, and was posted in the usual and customary manner in the Town.

4. In a referendum duly called and held on November 8, 2016, the voters of the Town approved the adoption of the bond authorization referred to above in accordance with the provisions of the Charter of the Town and the laws of the State of Maine by a vote of 2,868 in favor and 1,465 opposed.

5. The borrowing anticipated hereby will not cause the total debt of the Town to exceed statutorily imposed limitations on municipal debt, including those set out in 30-A M.R.S.A. 5702

and 5703. The Town is not subject, by law or by contract, to any other limitations on its public debt.

6. The Town has not entered into any agreement to share its assessed valuation with any other municipality pursuant to Chapter 223, subchapter V of Title 30-A of the Maine Revised Statutes, as amended, and no such agreement is presently contemplated.

7. No bond or Bond of the Town are issued and outstanding pursuant to the authorizations described above.

8. No petition or other proceeding seeking a recount or review of the actions approving the Bond described above has been filed or initiated and no resolve, order or proceedings central to the issue or sale of the Bond has been repealed or amended or is currently being challenged or reconsidered. No proceedings relating thereto have been taken other than those of which certified copies have been delivered to Eaton Peabody.

9. There is no litigation, action, suit or proceeding or, to my knowledge after diligent inquiry, circumstance or inquiry or investigation at law or in equity before or by any public board or threatened against or affecting the Town or its property or any basis therefore, to restrain or enjoin the execution, issuance or delivery of the said Bond or the levy or collection of the taxes pledged therefor to pay the interest on, or the principal of the said Bond, or in any manner questioning the authority or proceedings for the execution, issuance and delivery of the said Bond or for the collection of said taxes or relating to the said Bond or affecting the validity thereof or the collection of said taxes, or wherein an unfavorable decision, ruling or finding would adversely affect the execution, issuance and delivery of the Bond or the validity or the enforceability thereof, the financial condition of the Town or its ability to make payment of

principal and interest on the Bond as and when due. Neither the corporate existence nor the boundaries of the Town, nor the title of any of its respective officers is being contested.

10. The execution and delivery of the Bond and the performance of the obligations of the Town thereunder do not and will not violate or constitute a default under any order of any court or government agency, and do not and will not violate or constitute a default under any agreement, indenture, mortgage, lease or any other obligation or instrument to which the Town is bound, and approval or other action by any governmental authority or agency is required in connection therewith.

11. The Bond has been duly executed by the Town's Treasurer on behalf of the Town, and countersigned by a majority of its municipal officers under the seal of the Town, attested by its Clerk and has been awarded and delivered to the First National Bank.

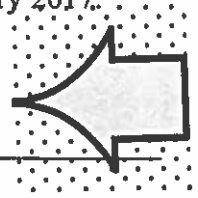
12. The persons set out below are the duly elected or appointed and qualified incumbent officials holding the offices set out next to their respective names. The Clerk has on file a document containing genuine examples of their signatures:

Stephen L. Wilde, Councilor
Dennis R. Marble, Councilor
Terry McAvoy, Councilor
David I. Ryder, Mayor
Mark Cormier, Councilor
Ivan McPike, Councilor
Gregory J. Sirois, Councilor
Angus G. Jennings, Town Man./Treasurer
Paula Scott, Town Clerk

WITNESS my hand and the seal of the Town as of the 23rd day of January 2017.

[SEAL]

Paula A. Scott, Clerk



**SIGN
HERE**

UNITED STATES OF AMERICA
STATE OF MAINE
TOWN OF HAMPDEN
2017 \$258,810 GENERAL OBLIGATION BOND

CERTIFICATE OF INDEBTEDNESS

as of

January 23, 2017

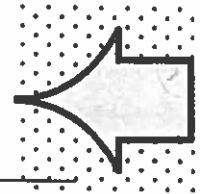
I hereby certify that as of this date the total outstanding indebtedness of the Town of Hampden is \$4,924,040.

I further certify that the Town of Hampden has no debt limit other than that imposed by statute.

I further certify that as of January 23, 2017, the valuation of the Town of Hampden, Maine, as determined by the State Tax Assessor in accordance with Section 305 of Title 36, M.R.S.A., is as follows: \$619,461,300.

Dated: January 23, 2017

Treasurer



**SIGN
HERE**

(SEAL)

UNITED STATES OF AMERICA
STATE OF MAINE
TOWN OF HAMPDEN
2017 GENERAL OBLIGATION BOND

\$258,810

January 23, 2017

The Town of Hampden (the "Town"), for value received, promises to pay to the First National Bank (the "Bank") or its registered assigns the principal sum of

TWO HUNDRED FIFTY-EIGHT THOUSAND
EIGHT HUNDRED TEN DOLLARS
(\$258,810)

plus interest calculated at the rate of 2.61% (based upon actual days elapsed in a 360-day year). The Town may prepay the loan in full at any time, or will make payments in 84 monthly payments of \$3,378.56 each (with the exception of the final payment, which will be in the amount of \$3,378.11), commencing on February 23, 2017.

Principal and interest are payable at the principal office of the Bank at 102 Main Street, Bar Harbor, Maine, or such other location as the Bank may designate.

This Bond is issued by the Town of Hampden by virtue of the Constitution and Laws of the State of Maine, Section 5772 of Title 30-A of the Maine Revised Statutes, as amended, pursuant to action taken by the voters of the Town of Hampden at the referendum duly called and legally held on November 8, 2016, authorizing action taken by the Hampden Town Council at a meeting duly called and held on September 8, 2016, and any other applicable authority under the laws of the State of Maine. The proceeds of the Bond are to be used to pay the Town's overdue sewer treatment and maintenance costs due to the City of Bangor (the "Project"). The Bond is subject to and incorporates by reference the terms of a certain commitment letter, dated December 21, 2016, between the Bank and the Town, and the Town shall comply with all requirements of said letter.

This Bond is transferable only upon presentation to the Treasurer of the Town with a written assignment fully acknowledged or proved. No transfer hereof shall be effective unless made on the books of the Town kept by the Treasurer as transfer agent and noted hereon by the Treasurer with a record of payments as provided hereon.

It is hereby certified that all acts, formalities and conditions essential to the validity hereof have been performed and complied with, and for the assignment, collection and payment of taxes to pay the same, when due, the full faith and credit of the Town are hereby irrevocably pledged.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the said Town of Hampden has caused its seal to be hereto affixed and attested by its Town Clerk and this instrument to be signed in its name and behalf by its Treasurer and countersigned by a majority at least of its Councilors, as of the 23rd day of January 2017.

TOWN OF HAMPDEN

By:

Treasurer

Town Councilor

Town Councilor

Town Councilor

Town Councilor

Town Councilor

Town Councilor

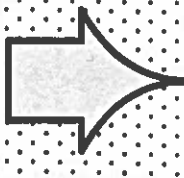
Town Councilor

(SEAL)

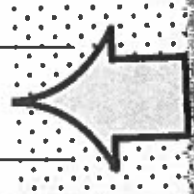
ATTEST:

Town Clerk

**SIGN
HERE**

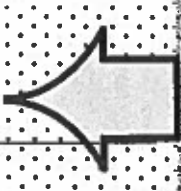


**SIGN
HERE**



CERTIFICATE OF REGISTRATION OF TRANSFERS

This Bond is registered in the name of the transferee noted hereon on the books of the Town kept by the Treasurer as transfer agent.

Name of Registered Owner or <u>Transferee</u>	Date of Registration <u>of Transfer</u>	Date to Which Interest <u>Paid</u>	Date Aggregate Principal <u>Paid</u>	Balance of Prin- cipal <u>due</u>	Signature of <u>Treasurer</u>
First	1.23.2017	None	None	All	
National		Paid	Paid		
Bank					

**SIGN
HERE**



Finance 4-a

MEMO

To: Angus Jennings
From: Kyle Severance
Date: 12/27/16
Re: Communications Budget and Un-Anticipated Invoice for Video Service
01-03-15-01

Message:

The purpose of this memo is to inform you of an invoice of \$2,370.00 from Leightronix for the annual video streaming service that was not part of the FY17 communications budget. This service allows us to stream council meetings over the internet so it is available to people on computers/cell phones/ipads/etc..

When we upgraded the AV system last year, Leightronix provided the first year of the service at no cost to the Town which caused the oversight of this annual cost not being included in the budget. I recommend keeping the service active. If communications goes over budget in FY17, overlay can be used to cover this cost.

Kyle Severance
GIS/IT Specialist, Town of Hampden

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



Phone: (207) 862-3034
Fax: (207) 862-5067
Email:
townmanager@hampdenmaine.gov

TO: Services Committee

FROM: Angus Jennings, Town Manager

DATE: January 5, 2017

RE: Request for Library Reserve funds for squirrel trapping and exclusion

Grey squirrels have established residence under the eaves of the library. Please find attached an estimate to trap and remove the squirrels, and install mesh sealing to prevent re-entry. This unbudgeted expense is recommended for payment from the Library Reserve fund (current account balance \$25,125.80).

We checked with our property/casualty insurance provider to see if that would cover costs above the \$1,000 deductible, but rodent and vermin damage is not covered under our policy unless the infestation causes a fire, or causes a collapse of that portion of the building.

Maine Wildlife Management
PO Box 165 Hampden, Me 04444
207-852-2559

I, Debbie Lozito, et al, resident or landowner of property at: Edythe L Dyer Community Library 269 Main Road North, Hampden, Maine 04444, agree to allow Maine Wildlife Management to service this address by using the following methods for control and / or prevention of wildlife damage beginning Jan 1, 2017/TBD.

Trapping: Beginning Jan 1, 2016

-Due to numerous entry points, history of squirrel presence, and evidence of squirrels in multiple locations on the property the trapping and removal may take longer than 2 weeks.

-All squirrels including red, gray, and flying will be captured and removed from the building.

-Maine Wildlife Management reserves the right to euthanize animals if it is felt that relocating would cause undue suffer and/or lead to death. Every attempt is made to minimize stress and suffering to the animals, at the immediate capture site, as well as potential hardships they may encounter after relocation.

Total for Trapping and Removal: **\$450.00**

Exclusion: TBD/After Squirrels are Removed

-Primary entrance appears to be on south side of the tower. However, there are multiple squirrel entry points over the entire building(20+). The building is in great condition structurally other than the soffits under the eaves. The ventilation consists of lightweight window screening that have allowed squirrels easy access to all parts of the building.

-Permanent sealing to keep squirrels from re-entry will include covering all eaves and sealing with vinyl coated hardware cloth. It is a welded wire mesh that is coated with vinyl to prevent corrosion and weatherization. (Same material they use on lobster traps) The roof will still be able to breathe and ventilate properly, yet long term squirrels will not be able to reenter.

-270ft of eaves @ \$3.75/ft = \$1012.50

Total exclusion work: **\$1012.50**

Both Removal and Full Exclusion: **\$1462.50**

Warranty:

Maine Wildlife Management offers a full one year warranty on all work performed, from the date it is started. This warranty covers the immediate animals in the house, as well as work performed by Maine Wildlife Management. New problems, that are not a result of anything done by MWM, are not covered by this warranty. For example, if a squirrel chews a hole through your front door, which was previously secure before any work was performed, then that is a new situation not covered under the warranty.

The vast majority of animals do not try that hard to get into homes. However, there are extreme circumstances when animals will attempt to exploit even solid sections of a home. One example is mothers looking for a secure den to have young. Overpopulation in the neighborhood that is above carrying capacity for available denning sites as fall sets in, forcing them to look for alternative places like attics or homes. A determined animal may try exceptionally hard to enter a home, and sometimes succeed. Any animals that gain entry into the home through anything that MWM has sealed is covered by the warranty.

There is a \$150 service call fee for being called back to the property, and no animals are present or damage has taken place. Sometimes squirrels may have run across the roof, or the side of the house, or a tree brushes against the house, etc. It's possible they may not actually have gained access back into the house. If however, you suspect that they have returned, call us and we will be glad to help you out.

Name:

Signed: _____ Date: _____

Name: Randy Canarr, MWM

Signed: _____ Date: _____

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



Phone: (207) 862-3034
Fax: (207) 862-5067
Email:
townmanager@hampdenmaine.gov

TO: Finance Committee and Town Council

FROM: Angus Jennings, Town Manager

DATE: January 12, 2017

RE: Retroactive vote regarding Police Cruiser reserve

In December 2015, the Council voted to resolve an accounting error associated with funds appropriated in FY14 and FY15 that had not been properly carried forward at fiscal year-end. This situation, related to the September 2015 purchase of a police cruiser for \$33,345.46, is summarized in the attached memo.

In working with our Auditor to close out FY16, we've been advised that the amount expended out of the Police Cruiser Reserve which exceeded \$30,000 had not been properly voted by the Council.

Therefore, this matter is before you again, as a request to vote to retroactively authorize the expenditure of \$3,345.46 from the Police Cruiser Reserve account, said funds having been paid on September 30, 2015.

I am sorry for any confusion this may cause. Our present accounting personnel and protocols would not allow such an error in the future.

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



Phone: (207) 862-3034
Fax: (207) 862-5067
Email: townmanager@hampdenmaine.gov

TO: Town Council
FROM: Angus Jennings, Town Manager
DATE: December 3, 2015
RE: Recommended expenditure of "surplus" monies for cruiser replacement¹

In working with the Auditor in recent weeks to review the preliminary FY15 audit, Finance personnel Tammy Ewing and I have identified an item that requires Council action.

As you know, the Town in recent years has routinely budgeted ~\$15-17,000/year to support the purchase of a new police cruiser every two years. These funds have typically been budgeted in the Public Safety Department. As such, in order for such funds to be available for use in a subsequent fiscal year they must be formally carried forward (with such carry-over reflected in the year-end audit).

When the new police cruiser (2016 Chevy Tahoe) was purchased on September 30, 2015, we paid the vendor \$33,345.46. We used \$30,000 from the 1-505-00 designated fund account and \$3345.46 from the Reserve Police Cruiser account. We had erroneously thought that the \$15,000 from FY14 had been carried forward and that the \$15,000 from FY15 had also been carried forward to the current fiscal year's designated fund account.

We have since learned from the auditor that the unexpended \$15,000 cruiser replacement line item from FY14 was never carried forward and, as with any unexpended monies not carried forward, was instead put into the "surplus" account. Because the FY15 is not yet final, we were able to carry forward the unexpended \$15,000 from FY15 (cruiser replacement) so we can use that money to correct the accounting. However, Council approval is required to use "surplus" money of FY14 funds. With the Council's approval to use \$15,000 "surplus" money from FY14, we can make the adjustments in our software to fully reconcile accounting for the purchase.

In the future, we will recommend that the Council budget for the cruiser replacement (and other such items) by funding a reserve account (3-753-00) so that year-to-year carry-forwards will not be necessary. This will eliminate the potential for such situations to arise in the future.

¹ For the record, we do not consider any public monies "surplus" – as we know you do not – but this is the term used by the auditors...

O'Connor

SALES / SERVICE / PARTS / BODY SHOP

3-753-00 \$3345,46
\$15,000 from 14/15 → 01-33 \$30,000.-
\$15,000 from 13/14 Acct. No. 1-50500

COPY

DEPARTMENT HEAD SIGNATURE

DATE 09/21/15

Y A I

SEP 30 2015

09/10/2015

TOWN OF HAMPDEN

INVOICE

05-01-2015 Police Cruiser
Budget add's
(BR)

PO #: 663761

Vehicle MY: 2016

Vehicle Make: CHEVROLET

Vehicle Model: CK10706

VIN # 1GNSKDEC4GR127845

Amount Due: \$33345.46
Terms: NET 14 DAYS

X

(Customer Signature)



STARCRAFT BUS
a division of Forest River, Inc.



MEMO

Town of Hampden
RECEIVED

JAN 12 2017

Office of the
Town Manager

To: Angus Jennings
From: Kyle Severance
Date: 1/12/17
Re: IT Reserve Purchase Request – Surveillance System Upgrade for Municipal Building – 03-711-00

Message:

The purpose of this memo is to request approval for upgrading the surveillance system for the Municipal Building.

The existing system consists of ten cameras inside the building and was installed by Norris Inc (a Bangor business) in 2008. The software must run on a Windows XP machine which doesn't work half the time. One of the cameras is used for police interviews and sometimes fails midway through an interview which makes the evidence unusable by the district attorney's office.

The IT reserve is budgeted to replace the CCTV system every 7 years (setting aside \$1,100 each year toward the replacement).

I have reached out to several companies and rather than replace the entire system with new technology, I recommend upgrading/fixing the existing system through Norris Inc. which will give us the same features of a brand new system without having to replace all the cameras and cabling. I also recommend adding three cameras which will cover the parking lots and upgrading the lobby camera and interview camera to higher quality (total of five cameras needing new cables run).

The total for the system upgrade through Norris Inc is \$6403.00 and running cables to the five new cameras is \$985.00 totaling \$7388.00.

\$7388.00 is being requested from the IT Reserve budget 03-711-00 to be used for Municipal Building surveillance system upgrade.

Questions and/or suggestions are welcomed. Thank you for your consideration,

Kyle Severance
GIS/IT Specialist, Town of Hampden



Norris Inc.

Advancing security, life safety, and communications.

Norris Inc
78 Farm Rd
Bangor, ME 04401

phone. 1-800-370-3473
fax. 1-207-879-0540
<http://www.norrisinc.com>

Customer

GRETCHEN HELDMANN
TOWN OF HAMPDEN
106 WESTERN AVENUE
HAMPDEN, ME 04444-1428
Tel. 207-862-4500 Fax. 207-862-5067

Proposal Details

Project Number 115562BA
CCTV Surveillance System Upgrade
Proposal Date 12/15/2016
Purchase Order #: KYLE SEVERANCE
Proposal Total \$6,403.00

Qty	Part Description	
	Proposal is for the following: -replace recording server with mini-tower pc and new VMS software -add encoder, enroll existing analog cameras into new system -replace interview room camera with IP type -add audio module to enroll interview audio into system -add (3) exterior dome cameras with Vari-Focal lenses and IR. -Electrical wiring and device installation by owners electrician.	
1	PC~DVR 2TB Storage, OS Drive	
1	CHANNEL ENCODER	
1	AUDIO MODULE	
2	1.3MP/VANDOM/IR/2.8M/-30C/IP66	
10	PROFESSIONAL IP Camera license, per camera. Includes 1 yr.	
3	2MP WDR IR VF Dome Camera	
3	WALL MOUNT	
3	Pendant Mount PC135	
1	Existing Customer Discount	
	Tech Services	
	Cost:	\$6,403.00

Signature: _____ Date: _____

Customer Signature

Project Total: \$6,403.00



337 Perry Rd. Suite #1. Bangor, ME 04401
Phone: (207) 942-6255 Fax: (207) 942-5498

December 9, 2016

Town of Hampden
Attn: Kyle Severance
106 Western Ave
Hampden, ME 04444

RE: Install 12 Cat6 camera cables

Kyle,

Please accept our proposal not to exceed **\$985.00** (*Nine hundred eighty-five dollars and zero cents*) to perform the electrical scope of work listed below.

This proposal includes:

- Install Cat6 cables from existing IT closet to (2) existing camera locations and (3) new exterior camera locations determined at walk-thru.
- Remove existing cabling to the two camera locations (1) at the town office lobby and (1) at the interview room.

This proposal excludes:

- State of Maine sale tax.
- Night or weekend work.
- Cutting and patching.
- Excavation and backfill.

NOTES -

Sincerely,

William R Dean

*This proposal may be withdrawn if not accepted within 30 days.
Hampden Electrical will perform the work in accordance with the national electrical code and all electrical industry standards.*

Current Account Status

G 3-711-00 RESERVE ACCT / COMPUTER

-68,101.36 = Beg Bal
0.00 = Adjust

1,340.77 = YTD Net
0.00 = YTD Enc

-66,760.59 = Balance

Per	Jrnl	Check	Date	Vendor-----	Description-----	RCB / Type	Debits	Credits
-----	------	-------	------	-------------	------------------	------------	--------	---------

Monthly Summary

Month	--Regular Entries--		--Balance Entries--	
	Debits	Credits	Debits	Credits
July	0.00	105.50	0.00	0.00
August	2,073.89	157.00	0.00	0.00
September	0.00	85.00	0.00	0.00
October	0.00	150.00	0.00	0.00
November	0.00	118.37	0.00	0.00
December	0.00	77.25	0.00	0.00
January	0.00	40.00	0.00	0.00
Totals	2,073.89	733.12	0.00	0.00



Angus Jennings <townm

Finance 4-e

Fwd: Overview of Governor's Proposed Biennial Budget

1 message

Dennis Marble <marbletowncouncil@hampdenmaine.gov>
 To: Angus Jennings <townmanager@hampdenmaine.gov>
 Cc: David Ryder <rydertowncouncil@hampdenmaine.gov>

Mon, Jan 9, 2017 at 4:44 PM

I suggest that the Council and Town Manager discuss the possible implications of the Governor's budget and decide what if any action to take in terms of requesting a meeting with Sen Cushing and Rep Hagan. Maybe an agenda item for the next Fin and Admin Committee meeting?

Sent from my iPad

Begin forwarded message:

From: Kate Dufour <EBulletin@imail.memun.org>
 Date: January 9, 2017 at 10:28:29 AM EST
 To: "ebulletin@imail.memun.org" <ebulletin@imail.memun.org>
 Subject: Overview of Governor's Proposed Biennial Budget
 Reply-To: <kdufour@memun.org>

To: Municipal Officials

From: Kate Dufour

Date: Monday, January 9, 2017

Re: Overview of Governor LePage's Proposed FY 18 – FY 19 Biennial General Fund Budget

Last Friday, January 6, Governor LePage released his final biennial General Fund budget. The 830-page document, posted on the Maine Bureau of the Budget's website (<http://www.maine.gov/budget/>), includes many of the policies the Governor has advanced throughout his six years in office. The two year budget includes initiatives to reduce the income tax rate, expand the sales tax base, and shift taxing authority over two-way telecommunication services property from the state to the municipalities.

When analyzing the proposed budget from a property taxpayer perceptive, the positive changes are small in comparison to the increases in property taxpayer burden that could result if the proposed budget is adopted as is. As proposed by the Governor, eligibility under the Homestead Exemption program is limited to Maine homeowners 65 years of age or older. Funding for the revenue sharing program is permanently capped at 2% of state sales and income tax revenue. The General Assistance program is slated for repeal. And, the calculation of the state's share of 55% of the cost of K-12 public education is further manipulated to make sure the state is not expressly obligated to cover 55% of the Essential Programs and Services school funding model.

The Governor's budget also includes proposals to frustrate the implementation of Question 2, *An Act to Establish The Fund to Advance Public Kindergarten to Grade 12 Education*, at the November 8, 2016 election. As enacted by the voters, starting on January 1, 2017 a 3% income tax surcharge is to be assessed on the portion of Maine incomes that exceed \$200,000 and the revenue used to supplement, rather than supplant, the state's share of K-12

public school education. The Governor's budget proposes to delay the implementation of the surcharge to January 1, 2018, apply the surcharge on all Maine income taxpayers (rather than just those with an income over \$200,000), and repeal the provision that the revenues be transferred to the Fund to Advance K-12 Public Education.

That being said, the budget provides an opportunity for municipal officials to meet with members of the Legislature to discuss how these proposed initiatives impact their communities, residents and property taxpayers. It is never too early to have those conversations. Municipal officials are encouraged to use the budget as an opportunity to connect with their elected representatives in an effort to develop a sustainable and equitable state-municipal working relationship.

What follows is a preliminary description of the municipally-relevant elements of the budget, organized roughly in order of municipal impact. As legislative committees begin to review this proposal, budget-related updates will be published in the weekly Legislative Bulletin. The first edition of the 2017 Legislative Bulletin will be distributed this Friday, January 13.

If you have any questions, please contact me at 1-800-452-8786 or kdufour@memun.org.

Budget Impacts on Municipal Programs, Services and Priorities

- **GA Repeal.** The Governor's budget proposes to repeal the state/municipal General Assistance program. By repealing the program, the state would be relieved of its \$12 million share of the state/municipal program. Repeal of the program would shift greater costs onto the property taxpayers in communities that might voluntarily elect to administer a locally funded program.
- **GA & Asylees Amendment.** After entirely repealing the body of General Assistance law in one section of the budget, another section inexplicably amends one of the GA statutes, enacted in 2015 that expressly allows certain asylees and other non U.S. citizens to receive General Assistance benefits. Federal law requires such an express statutory authority at the state level, but that authority would be repealed in the Governor's budget.
- **Revenue Sharing.** In 2015, the Legislature statutorily, but temporarily, reduced from 5% to 2% the portion of state sales and income tax revenue distributed to communities under the municipal revenue sharing program. According to current law, the share of state sales and income tax revenue is restored to 5% in FY 2020. However, the Governor's budget proposes to repeal the restoration to 5% by permanently reducing transfers to the revenue sharing program at the 2% level.
- **Homestead Exemption.** Under existing law, both the value of the Homestead Exemption provided to all qualifying Maine resident homeowners and the amount of state reimbursement for the lost property tax revenue are scheduled to increase on April 1, 2017. The value of the exemption is to increase from \$15,000 to \$20,000 and the state reimbursement from 50% to 62.5%. The Governor's budget proposes to radically amend those scheduled program changes. Beginning on or after April 1, 2017 the Homestead Exemption would be set at \$20,000 but only Maine resident homeowners 65 years of age or older would qualify. In addition, the state reimbursement for lost property tax revenue would be reduced from 62.5% to 50%. A similar initiative was included in the Governor's 2015 budget proposal.

- **BETR to BETE Conversion.** The Governor's proposed budget seeks to convert the taxable property currently enrolled in the Business Equipment Reimbursement Program (BETR) to tax exempt status by transferring its enrollment into the Business Equipment Tax Exemption Program (BETE) over a four-year period. The conversion schedule requires that in FY 2018, 25% of the value of the property enrolled in the BETR program be shifted to the BETE program, in FY 2019, 50% of value, in FY 2020, 75% of the value, until FY 2021 when 100% of the value of the property enrolled in BETR is shifted to the BETE program. A similar initiative was included in the Governor's 2015 budget proposal.

- **Two-way Telecommunications Services.** Under current law, the state is the taxing authority for two-way telecommunications personal property (e.g., telephone and broadband infrastructure). As proposed by the Governor, on April 1, 2018 that property would become taxable at the local level, resulting in a shift of roughly \$8 million of annual revenue from the state to the municipalities. A similar initiative was included in the Governor's 2015 budget proposal.

- **Property Tax Fairness Credit.** Under current law, Maine residents are eligible for an income tax credit that is equal to 50% of a portion of the property taxes or rent paid that exceeds 6% of a resident's income. For individual and married joint income tax filers, the maximum credit provided to a resident under the age of 65 is \$600 and \$900 for residents 65 years of age and older. For married individuals that file separate income tax forms, the maximum credit for a resident under the age of 65 is \$300 and \$450 for a resident 65 and older.

As proposed by the Governor, for tax years beginning on or after January 1, 2018, Maine residents would be eligible for an income tax credit that is equal to 100% of a portion of property taxes or rent paid that exceeds 5% of a resident's income. The maximum credit for a resident under 65 years of age would be \$750. The maximum credit for a resident age 65 and older would \$1,000. All Maine tax filers age 65 or older with annual incomes of less than \$20,000 would be guaranteed a minimum income tax credit of \$400. Married taxpayers that file separately would not qualify for the property tax credit.

- **Income Tax Reduction.** Over the next three years the Governor is proposing to both reduce the number of income tax brackets and the tax rates assessed. For tax year 2017, the current three brackets of 5.8%, 6.75% and 7.15% would be retained. In tax year 2018, the Governor is proposing two brackets of 2.75% and 3.15%. For tax years beginning on or after January 1, 2019, a flat tax rate of 2.75% would be assessed on all Maine income tax filers (who would all, also, be subject to the 3% surcharge. See below.).

- **Surcharge for K-12 Public Education.** As enacted by the voters of Maine at the November 8, 2016 referendum election, beginning on January 1, 2017 a 3% surcharge is to be assessed on the portion of taxable income that exceeds \$200,000. The revenue generated by the surcharge was dedicated by the initiative to support K-12 classroom expenses. The Governor's budget proposes to delay the implementation of the surcharge to January 1, 2018, apply the surcharge on all Maine income taxpayers (rather than just those with an income over \$200,000), and repeal the provision adopted by the voters requiring the revenues to be transferred to the Fund to Advance K-12 Public Education.

- **Sales Tax on Lodging.** As proposed by the Governor, the sales tax rate for lodging would be increased from 9% to 10%. The proposal also would require the 10% sales tax rate to be

applied to the sales of rental space procured through the use of an electronic or internet-based system.

- **Expanded Sales Tax Base.** With exceptions for business-to-business transactions, the Governor is proposing to apply the general 5% sales tax to the following services:

- Household services (e.g., interior home decorating, painting, cleaning, property maintenance, waste management, domestic staffing services, etc.);
- Installation, repair and maintenance services other than for motor vehicles, watercraft and aircraft;
- Personal services (e.g., all services provided by barber shops, hair salons, massage parlors, spas, tattoo parlors, etc.);
- Personal property services (e.g., dry cleaning, laundry, vehicle restoration services, moving services, etc.);
- Recreation and amusement services (e.g., admission to concerts, festivals, athletic events water and theme parks, golfing, skiing, bowling, etc.), excluding school sponsored events, admission to agricultural fairs, value of wagers or lottery tickets, reasonable and separately stated charges for instruction in art, sport, game or other recreational activities, and services provided to campers by licensed youth camps.

- **Modified Sales Tax Exemption for Nonprofit Organizations.** The proposed budget seeks to modify the sales tax exemption provided to charitable, nonprofit or other public purposes to exclude purchases of prepared food, the rental of living quarters, and the rental or lease of a motor vehicle.

- **Local Government Efficiency Fund.** The budget includes a \$10 million appropriation - \$5 million in each year of the biennium - to capitalize the Fund for the Efficient Delivery of Local and Regional Services.

- **Fund for the Efficient Delivery of Educational Services.** The budget includes a \$10 million appropriation - \$5 million in each year of the biennium - to capitalize the Fund for the Efficient Delivery of Educational Services. The one-time funding would be used as an adjustment to school systems willing to implement regionalized and collaborative educational services delivery systems.

- **Changing the structure of the state's 55% K-12 Education funding obligation.** When the voters adopted the citizens' initiative in 2004 that directed the state to pay 55% of the cost of K-12 education, that law specifically identified how the 55% standard should be calculated.

When implementing that initiative in 2005, the Legislature appropriately defined the required state share as 55% of the Essential Programs and Services school funding model (EPS).

Over the last six years, the Governor and the Legislature have been incrementally trying to restructure the state's "55%" funding obligation into something different. Specifically, the state policy makers want to include the state's payment toward the "unfunded actuarial liability" in the MEPERS retirement system as part of the overall "55%" school funding requirement even though the unfunded actuarial liability has absolutely nothing to do with the EPS model or the costs reasonably calculated to deliver an adequate public education pursuant to the Learning Results system.

In this budget, the Governor expressly restructures the 55% obligation by removing all elements of statute that track the state's financial contribution toward the EPS model and replaces it with a different 55% state obligation, which is to fund the EPS model plus the MEPERS teacher-related unfunded actuarial liability that was accrued decades ago, plus other state payments of various kinds.

To keep a clear historical record, what follows tracks the state's financial contribution toward the EPS model, as the 55% standard was established by the voters and originally established.

For the current school year (FY 2016-2017):

The total EPS allocation was \$2.123 billion.

The state contribution toward that allocation was \$1.001 billion.

The state percentage share was 47.15%.

Under the Governor's budget for the FY 2017-2018 school year:

The total EPS allocation is \$2.120 billion.

The proposed state contribution toward that allocation is \$991.4 million.

The state share percentage is 46.8%.

- **Mill rate expectation.** The property tax mill rate expectation is established at 8.29 mills. For comparison purposes, the mill rate expectation for the current fiscal year is 8.30 mills.

- **"System administration".** The component of the EPS model that calculates each school system's appropriate cost of "system administration" is repealed, thereby eliminating any state subsidy for the costs associated with the superintendent's office.

- The Governor's proposed budget also expressly establishes an authority for multiple school systems connected by an interlocal agreement to hire a single superintendent.

- **Change the "minimum subsidy" adjustment.** "Minimum receiver" school systems, that would otherwise receive no state subsidy through the regular operation of the school funding system, have always been granted a "minimum subsidy" adjustment. For the current school year, that adjustment is 30% of the school's special education costs, as calculated by the EPS. There is a schedule in current law, however, to increase the minimum subsidy adjustment to 35% of the special education costs for the upcoming school year (FY 2017-2018), and to 40% of those costs in FY 2018-2019, 45% in FY 2019-2020 and level off at 50% of those costs in FY 2020-2021 and thereafter. The Governor's proposed budget repeals that transitional ramp and fixes the minimum subsidy allocation at 33% of the special education costs.

- **Special Education per-pupil weights.** Under the current EPS model, a school's special education allocation utilizes a system of giving a 20% increase (1.2) to the standard per-pupil cost for each special education student. The Governor's budget proposes to increase that

weighting to 50% (1.5). In addition, the budget creates a special education budgeting hardship adjustment that can be provided when unexpected special education enrollments cause significant school budget disruption.

- **Title 1 subtractions attached to student-to-teacher ratio changes.** The proposed budget repeals the current policy that subtracts from a school system's calculated subsidy the amount of Title 1 money the school receives from the federal government for additional teaching staff.

- As a collateral policy change, and because those federally funded teaching positions were not included in the original establishment of the EPS model's student-to-teacher ratios, those ratios are also changed in the budget. The current ratios are 17:1, 16:1 and 15:1 for the elementary level, middle school level and high school level, respectively. The proposed new ratios are 17:1, 17:1 and 16:1.

- **Development of entirely new school funding model.** The proposed budget directs the Department of Education Commissioner to develop a new school funding model based on a single statewide teacher contract. The budget directs the new school funding model to be implemented no later than the FY 2019-2020 school year.

- **Other miscellaneous provisions.**

- **CTE.** For many years, the EPS statute has maintained that the model's calculation of a school's costs for its career and technical education programming (CTE) be designed as a "program-driven" model. The "program driven" model was supposed to be in place for the upcoming school year (FY 2017-2018), but the proposed budget pushes that off, once again, for another year.

- **Student counts.** The current EPS model includes two ways to calculate a school's student population for subsidy purposes, utilizing whichever system calculates a greater number. The first way is the average of the April count and the October count from the previous calendar year. The second way is to average three years' worth of that data. The proposed budget eliminates the three year averaging.

- **K-grade 2 (or pre-K-grade 2) target adjustments.** The proposed budget increases the per-pupil weighting for early childhood school programs from a 10% increase to the standard per pupil cost for each student enrolled in that programming to a 15% increase. The budget also tightens up on both the definition and the accountability of those early childhood education programs.

- **Casino-based education funding.** Current law, in line with the citizen initiatives that authorized Maine's gambling casinos, dedicated funding for K-12 education provided that the casino-generated funding "supplement rather than supplant" appropriations from the General Fund. The Governor's budget repeals the non-supplant requirement. The proposed budget also repeals language specially dedicating some casino-generated funding to early childhood education programming.

- **TANF/SSI/SNAP.** The Governor's budget proposes several amendments to the Temporary Assistance for Needy Families (TANF) program, which could shift greater burdens onto the GA program, if the GA program is not repealed. The Governor's proposal would shorten the lifetime limit on TANF benefits from 60 to 36 months and flatly disqualify persons convicted of drug felonies from receiving TANF benefits. The proposal would also repeal three separate laws that expressly authorize the Department of Health and Human Services to provide food supplement (SNAP), supplemental security income and TANF assistance to certain asylees and other non U.S. citizens.

- **100% General Fund Support of State Police Patrol Services.** Currently, state police expenses for the patrol of state rural highways, the Maine Turnpike and the interstate system is shared between the General Fund (65%) and the Highway Fund (35%). The Governor's budget proposes to shift 100% of the funding to the General Fund, resulting in a \$40 million increase in Highway Fund revenues over the next two years.

- **County Assessment for Jails.** In 2016, the Legislature relaxed the cap on property tax assessments for county jail operations by authorizing each of the 16 counties' established maximum assessments to be annually increased by no more than 3%. That change was enacted without amending a conflicting provision that prohibited increasing the assessment. The Governor's proposal allows the counties' jail-based tax assessments to municipalities to be greater than the base, but it retains the requirement that the increase be limited to no more than 3%.

- **Repeal of State's "LD1" Reporting Obligation.** The Governor's Office of Policy and Management (OPM) was established in 2011 for the purpose of assisting the state in achieving long-term state economic goals and improving efficiencies in the delivery of state services. As proposed by the Governor, many of OPM's economic projection and data analysis-related tasks would be reassigned to the Department of Administration and Financial Services. Of particular interest to municipal officials, the budget also proposes to repeal OPM's charge to annually track municipal, county and school administrative unit progress with the so-called "LD 1" tax burden reduction-goals.

- **COLA Adjustment for Retirees Suspended.** The Governor is proposing to eliminate cost of living adjustments for state employee and teacher retirement benefits in both FY 2018 and FY 2019.

- **Coastal Zone Management Program.** The Governor is proposing to transfer oversight and management of the state coastal zone management program from the Department of Agriculture, Conservation and Forestry to the Department of Marine Services.

- **Maine Uniform Building and Energy Code (MUBEC).** As proposed in the budget, oversight authority of the Maine Uniform Building and Energy Code would be transferred from the Department of Public Safety to the Department of Economic and Community Development.

- **Sealers of Weights and Measures.** The municipal obligation to appoint a sealer of weights and measures was repealed in 2014 as part of an effort to cleanse state statutes of archaic and unnecessary mandates. In 19th Century language, the Governor's budget proposes to reinstate the obligation for the municipality to participate in this obvious state function, including the

establishment of a \$10/month fine should the municipal officers fail to remove an unqualified sealer. The municipal officers would be authorized to either appoint a local sealer of weights and measures or request that the state make the appointment on the community's behalf. Issues of the sealers' compensation and the liabilities on their "employers" are not covered in the budget proposal.

- **Estate Tax Repeal.** The Governor's budget proposes to repeal the estate tax of decedents dying on or after January 1, 2018.
- **Office of Broadband Development.** The budget creates the Office of Broadband Development within the Department of Economic and Community Development to replace the ConnectME Authority. The Office would be charged with expanding broadband services for the purposes of encouraging job creation and improving accessibility for unserved and underserved communities and populations. The Office would obtain administrative oversight of the ConnectME Fund and the Municipal Gigabit Broadband Network Access Fund.